EXHIBIT 11

DUFF & PHELPS, LLC

2029 CENTURY PARK EAST, SUITE 820 • LOS ANGELES, CA 90067
310/284-8008 • FAX 310/284-8130

CALIFORNIA CAPITAL INSURANCE COMPANY

VALUATION AS OF

JUNE 30, 1998

EXHIBIT
14
Cazzolla 3-19-08

CALIFORNIA CAPITAL INSURANCE COMPANY

TABLE OF CONTENTS

REDACTED

CONFIDENTIAL

REDACTED

CONFIDENTIAL

REDACTED

Management

The Company and its subsidiaries are all under the same general management. Key managers and directors are listed below.

Manager	Title
William E. Moore	Chairman of the Board
Peter M. Cazzolla	President and CEO
Thomas H. Scherff	VP, Claims
Robert D. Winn	VP, Underwriting/Field Operations
Edward T. Mines	VP, Chief Financial Officer

Directors
William E. Moore
Peter M. Cazzolla
Desiree B. Moore

Property

The Company owns no real estate. The Company's headquarter facility, located in Monterey California, is leased from the Kelly-Moore Paint Company.

REDACTED

CONFIDENTIAL

REDACTED

CONFIDENTIAL

REDACTED

REDACTED

CALIFORNIA CAPITAL INSURANCE COMPANY

Consolidated Income Statement
GAAP Based
For Years Ended December 31, 1993 to 1997

REDACTED

CALIFORNIA CAPITAL INSURANCE COMPANY
Margin Analysis
GAAP Based
For Years Ended December 31, 1993 to 1997

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY

Consolidated Balance Sheet

GAAP Based

December 31, 1993 to 1997

REDACTED

CALIFORNIA CAPITAL INSURANCE COMPANY
ECONOMIC OVERVIEW

The purpose of this economic overview is to provide a review of the current condition of the national economy and the outlook for the year to come. The overview reflects the consensus forecast of the Blue Chip Economic Indicators *panel and our examination of other pertinent economic analyses. As these sources are generally published midmonth, this overview reflects the economic outlook as of that time.*

Better-than-expected first-quarter real gross domestic product (GDP) growth (4.2%, annualized) and lower inflation expectations have led to upward revisions of projections of overall economic growth this year. The consensus forecast of real GDP growth in 1998 is now at 3.1%, up from 2.8% in April, and the consumer price index (CPI) is now expected to grow by a low 1.7%, down from last month's already healthy 1.8% projection. Consensus projections for growth in personal consumption expenditures, disposable personal income, and nonresidential fixed investment have also risen. On the downside, the consensus forecasts for industrial production, corporate profits and net exports have worsened. GDP growth is still expected to slow in the year's second half, with a corresponding rise in the CPI, and the quarterly and 1999 forecasts for components of GDP reflect this. Real GDP is expected to grow 2.3% in 1999, unchanged from last month, while the expectation for CPI growth has fallen to 2.4% from April's 2.5%. As expected, nonfarm payrolls rebounded from a March loss, growing by 262,000 in April. In addition, the unemployment rate fell to its lowest level since February 1970 (4.3%). The unemployment rates for 1998 and 1999 remain forecast at 4.7% and 4.9%, respectively.

Personal consumption expenditures (PCE) grew at an annual rate of 5.7% in 1998's first quarter, the fastest pace of PCE growth since 1992, with particular strength in spending on durable goods. The forecast for 1998 PCE growth improved to 3.6% in May, higher than 1997's actual results (3.3%). The accelerated rate of PCE growth is attributed to the low unemployment rate, growing incomes, high consumer confidence and continued strength in the stock market. However, the possibility of a sudden stock market correction remains a threat to PCE growth. Annual PCE growth for 1999 is currently forecast at 2.6%.

After falling last month for the first time this year, the forecast for disposable personal income (DPI) growth in 1998 jumped to 3.8% this month (from 3.5%) and, if achieved, will be the fastest rate of DPI growth since 1988. DPI growth surged in the first quarter at a 6.8% annual rate, which contributed to the upwardly revised annual forecast. However, it is anticipated that DPI growth will moderate in the year's remaining quarters (at a 2.8% annualized rate in the second quarter, 2.7% in the third, and 2.6% in the fourth). DPI growth in 1999 is forecast to grow at a much slower 2.6% pace, which would be its lowest annual growth rate since 1994.

CONFIDENTIAL

The forecast for 1998 growth in nonresidential fixed investment continues to improve and is currently put at 9.8%, just below the 9.9% growth achieved in 1997 and a considerable increase over April's 8.5% forecast. The rejuvenated forecast reflects the recent rebound from a fourth-quarter 1997 slump in capital spending, which had led to lowered expectations earlier in the year. In 1998's first quarter, investment in producers' durable equipment rose at a 29.0% real annual rate. While computers and technology continue to be the primary contributors to nonresidential fixed investment, industrial and other equipment purchases were also strong in the first quarter. Nonresidential fixed investment growth for 1999 is put at 6.4%, also above last month's forecast (6.1%).

The housing market remains strong and is expected to continue to fare well, as long as the weather and mortgage rates comply. Although housing starts fell to an annual rate of 1.590 million units in March (3.0% lower than February), this level was 8.0% higher than a year ago and better than expected, given poor weather. In addition, March marked the seventh consecutive month of starts above a 1.5 million annualized rate. The forecast for total housing starts in 1998 has improved to 1.51 million in May from a 1.50 forecast in April. Building permits and existing home sales were also strong in March, and, while new home sales fell for the first time in four months, first-quarter results were up 4.0% from the prior year period. Housing starts in 1999 remain forecast at 1.43 million units.

Expectations for 1998's net exports deficit continue to worsen, with May's consensus forecast growing to $211.3 billion from April's $199.2 billion. Exports declined at a 3.4% real annual rate in 1998's first quarter, while imports grew at a 12.0% real annual rate, results of the Asian economic slowdown. The trade outlook remains unattractive, though the drop in exports into Asia may be somewhat offset by gains in other parts of the world. The forecast for 1999's net export deficit has also deteriorated this month and is now at $234.8 billion (compared to $219.1 billion in April).

The outlook for government consumption and gross investment continues to be one of flat growth, with declines in federal spending somewhat offset by increases in state and local spending of approximately 1.0% each quarter. In 1998's first quarter, defense spending fell at a 16.7% annualized rate, while nondefense spending grew slightly. *Meanwhile, a budge surplus is expected for the current fiscal year (September 30), for the first time since 1969.* Government consumption and gross investment as a percentage of GDP has been declining for the last five quarters and by year-end will be at 14.9%, compared to 15.5% in 1997's fourth quarter.

Inflation continues to remain in check, with this month's forecast for 1998 CPI growth dropping to 1.7% from 1.8% in April. The prolonged decline has been attributed to falling energy prices which are expected to level out shortly, leading to increased inflation. However, while annualized quarterly growth in the CPI will rise each quarter this year (from .5% in the first quarter to an estimated 2.3% in the fourth), overall inflation of below 2.0% is healthy. In addition, the 1999 CPI growth forecast has been

revised downward to 2.4% this month from 2.5% in May. At May 19, 1998, Fed funds were trading at 5.5%, 30-year Treasury bonds were priced to yield 5.9%, and 10-year Treasury notes were priced to yield 5.7%. The forecast for the average yield of 3-month Treasury bills in 1998 is currently at 5.1%, while the forecast for the average yield of Treasury notes is at 5.7%, both unchanged from April's forecast. Average Treasury bill and note yields for 1999 remain forecast at 5.2% and 5.9%, respectively.

Sources: *Blue Chip Economic Indicators*, May 10, 1998.
Trends & Projections, Standard & Poor's Industry Surveys, May 21, 1998.

Overview of Methodology

Determine representative levels of revenue, earnings, etc.

- Representative of company's revenues or earnings generating capability going forward.
- Adjusted for unusual and nonrecurring items, if necessary.
- Completed on a minority interest basis.

Select market multiples to apply to representative levels

- Comparable public companies were used as a guide.
- Investment attributes of subject company were contrasted to the comparable companies.

Multiples of:

- Total revenue
- Net premiums earned
- Pretax income
- Earnings or net income
- Book value

REDACTED

CONFIDENTIAL

REDACTED

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARABLE PUBLIC COMPANY ANALYSIS

REDACTED

CONFIDENTIAL

REDACTED

CONFIDENTIAL

CALIFORNIA INSURANCE GROUP
COMPARABLE COMPANY ANALYSIS

REDACTED

CALIFORNIA CAPITAL INSURANCE COMPANY
ANALYSIS OF PUBLICLY TRADED COMPARABLE COMPANIES
VALUATION MULTIPLES
June 30, 1998

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
ANALYSIS OF PUBLICLY TRADED COMPARABLE COMPANIES
MARKET DATA
($ in Millions except Per Share)
June 30, 1998

REDACTED

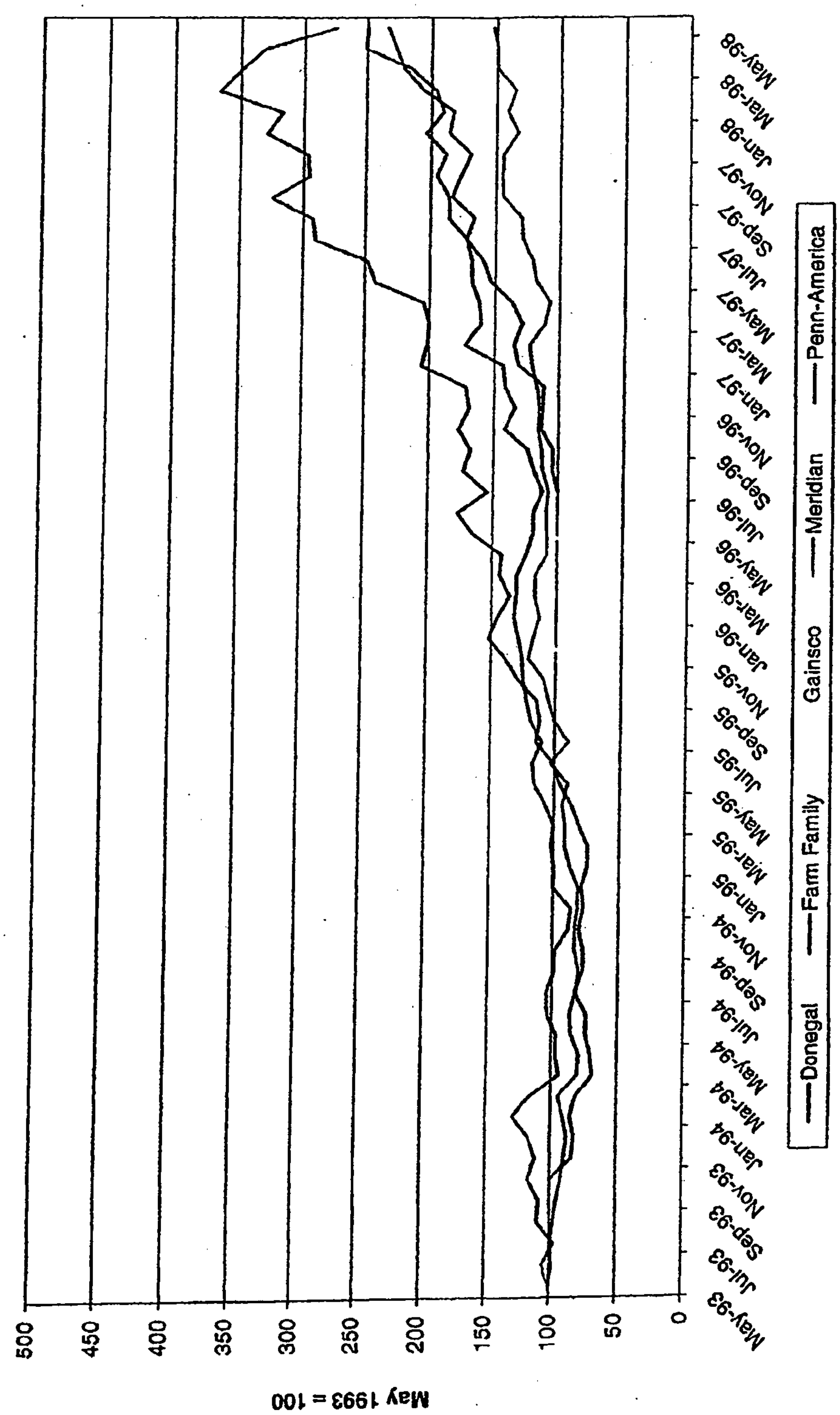
CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
ANALYSIS OF PUBLICLY TRADED COMPARABLE COMPANIES
OPERATING PERFORMANCE
($ in Millions except Per Share)
June 30, 1998

REDACTED

CONFIDENTIAL

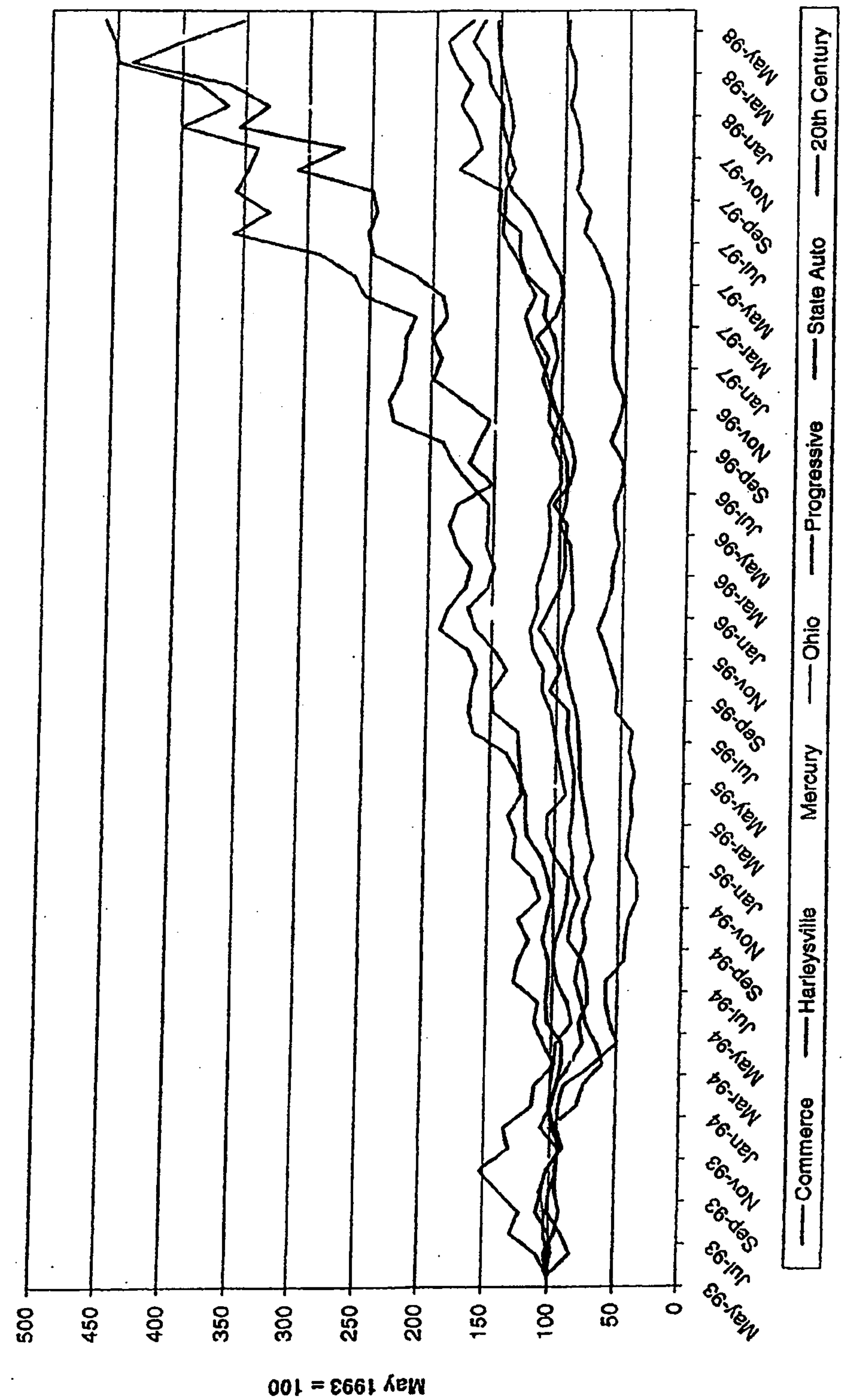
Comparable Public Company
5-Year Stock Price Performance
Tier 1



 DUFF & PHELPS, LLC

CIG 001339

Comparable Public Company
5-Year Stock Price Performance
Tier 2



DUFF & PHELPS, LLC

CIG 001340

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE RANKING

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
FINANCIAL PROFILE
1996-1997

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
GROWTH
1991-1998

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
PROFITABILITY RATIOS
1992-1998

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
RETURNS
1992-1998

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
LATEST BALANCE SHEET DATA
1998

REDACTED

CONFIDENTIAL

CALIFORNIA CAPITAL INSURANCE COMPANY
COMPARATIVE FINANCIAL PERFORMANCE
LEVERAGE
1993-1998

REDACTED

CONFIDENTIAL

TIER 1

Donegal Group Inc. (DGIC - NASDAQ) provides property and casualty insurance primarily in Pennsylvania, Delaware, Maryland, Ohio, and Virginia. The company underwrites a broad line of personal and commercial products, including businessowners, commercial peril, automobile, homeowners, boatowners, workers' compensation, and other coverages. In 1997, approximately 41% of the company's revenues were derived from commercial products and the remaining 59% from personal products. Wholly owned Atlantic States Insurance Co. participates in an underwriting pool arrangement with the company's parent, Donegal Mutual Insurance Company (MIC), whereby Atlantic assumes a specified portion of the pooled business, including substantially all of MIC's property and casualty business.

Farm Family Holdings Inc. (FFH - NYSE) operates as a specialized property and casualty insurer of farms, other generally related businesses and residents of rural and suburban communities, mainly in the Northeast. The company provides multi-line packages of insurance for those involved in agricultural pursuits, as well as automobile, commercial general liability, workers' compensation, umbrella liability, businessowner, homeowner and other insurance products. The company markets its insurance products through more than 200 agents and field managers, who are located in the rural and suburban communities served by the company. In 1997, approximately 36.9% of the company's revenues were derived from personal automobiles, 22.8% from special farm package, 15.5% from commercial automobile, 6.7% from workers' compensation, 5.3% from businessowners, 4.6% homeowners and the remaining 8.2% from others.

Gainsco Inc. (GNA - NYSE) is a property and casualty insurance company concentrating its efforts on certain specialty excess and surplus markets within the commercial auto, auto garage and general liability insurance lines. The Company's insurance operations are conducted through three insurance companies, General Agents Insurance Company of America, Inc., an Oklahoma corporation, MGA Insurance Company, Inc., a Texas corporation, and GAINSCO County Mutual Insurance Company, a Texas chartered company. In 1997, approximately 57% of the company's revenues were derived from commercial auto, 23% from auto garage, 18% from general liability and the remaining 2% from other lines.

Meridian Insurance Group Inc. (MIGI – NASDAQ) is a regional holding company principally engaged in the business of underwriting property and casualty insurance through its wholly-owned subsidiaries, Meridian Security Insurance Company ("Meridian Security"), Citizens Fund Insurance Company ("Citizens Fund") and Insurance Company of Ohio ("ICO"). The company writes a broad line of property and casualty insurance, including personal and commercial automobile; homeowners, farm owners and commercial multi-peril; and workers' compensation. Business is written through approximately 1,075 independent insurance agencies in the states of Illinois, Indiana, Iowa, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee, and Wisconsin.

Penn-America Group Inc. (PAGI - NASDAQ) is a specialty property and casualty insurance holding company which, through its subsidiaries, markets and underwrites commercial property, general liability and multi-peril insurance for small businesses located primarily in small towns and suburban and rural areas, and nonstandard personal automobile insurance. The Company provides commercial property and casualty insurance on both an excess and surplus lines basis and an admitted basis, and personal automobile insurance on an admitted basis. The Company markets its products through 55 high quality general agents, who in turn produce business through over 25,000 retail insurance brokers located throughout the United States.

TIER 2

Commerce Group Inc. (CGI - NYSE) provides personal and commercial property and casualty insurance in Massachusetts. The company offers motor vehicle, homeowners, inland marine, fire, general liability, and commercial multi-peril insurance. In 1997, approximately 95% of the company's revenues were derived from motor insurance, 4% from homeowners insurance and the remaining 1% from multi-peril. In 1997, insurance products were being marketed through a network of 692 licensed independent agencies, 541 throughout Massachusetts, and 151 in California. The Commerce Group also originates residential and commercial mortgages on a limited basis within Massachusetts and Connecticut.

Harleysville Group Inc. (HGIC - NASDAQ) operates a regional insurance holding company that underwrites personal and commercial property and casualty insurance lines, including automobile, homeowners, commercial multi-peril, workers' compensation and other lines of insurance. The company operates with Harleysville Mutual Insurance Company to form a network of insurance companies primarily in the eastern and Midwestern United States. These insurance coverage's are marketed mainly in the eastern and midwestern areas of the U.S. through about 22,600 independent insurance agents associated with about 3,000 insurance agencies. In 1997, approximately 60% of the company's revenues were derived from commercial and the remaining 40% from personal lines.

Mercury General Corp. (MCY - NYSE) underwrites all risk categories of automobile insurance, mainly in California, but also in Georgia and Illinois. In 1997, California accounted for approximately 88% of the company's direct premiums written. During 1997, private passenger automobile insurance and commercial automobile insurance accounted for 90.5% and 4.3%, respectively, of the Company's direct premiums written. The Company also writes homeowners insurance, mechanical breakdown insurance, commercial and dwelling fire insurance and commercial property insurance. The non-automobile lines of insurance accounted for 5.2% of direct premiums written in 1997, of which approximately 60% was in commercial lines.

Ohio Casualty Corp. (OCAS - NASDAQ) offers a full line of property and casualty insurance and insurance premium financing. The company's subsidiaries include West American Insurance Company, Ohio Security Insurance Company, American Fire and Casualty Company, and Avomark Insurance Company. The company conducts its business throughout the US through independent agents. In 1997, approximately 50% of the company's revenues were derived from auto insurance, 14% from homeowners' 17% from commercial multi-peril, 8% from workers' compensation, 8% from general liability, and the remaining 3% from fidelity and surety.

Progressive Corp. (PGR - NYSE) provides personal automobile insurance and other specialty property-casualty insurance and related services throughout the U.S. and in Canada. The Company's property-casualty insurance products protect its customers against collision and physical damage to their motor vehicles and liability to others for personal injury or property damage arising out of the use of those vehicles. In 1997, approximately 90% of the company's revenues were derived from personal lines and the remaining 10% from commercial lines. On March 7, 1997, the Company acquired Midland Financial Group, Inc. (MFG) for about $50 million. MFG underwrites and markets nonstandard private passenger automobile insurance through approximately 3,700 independent agents across 11 states, primarily in the southern and western United States.

State Auto Financial Corp. (STFC - NASDAQ) writes personal and commercial automobile, homeowners, commercial, multi-peril, workers' compensation and fire insurance in 23 states, primarily in the central and eastern half of the U.S., excluding NY, NJ and the New England states. The company, through State Auto Property and Casualty Insurance Company, is a regional insurer engaged mainly in writing personal and commercial automobile, homeowners, commercial multi-peril, workers' compensation, and fire insurance. The company sells its insurance products through approximately 10,600 independent insurance agents in 23 states. State Auto Financial is approximately 65% owned by State Automobile Mutual Insurance Company.

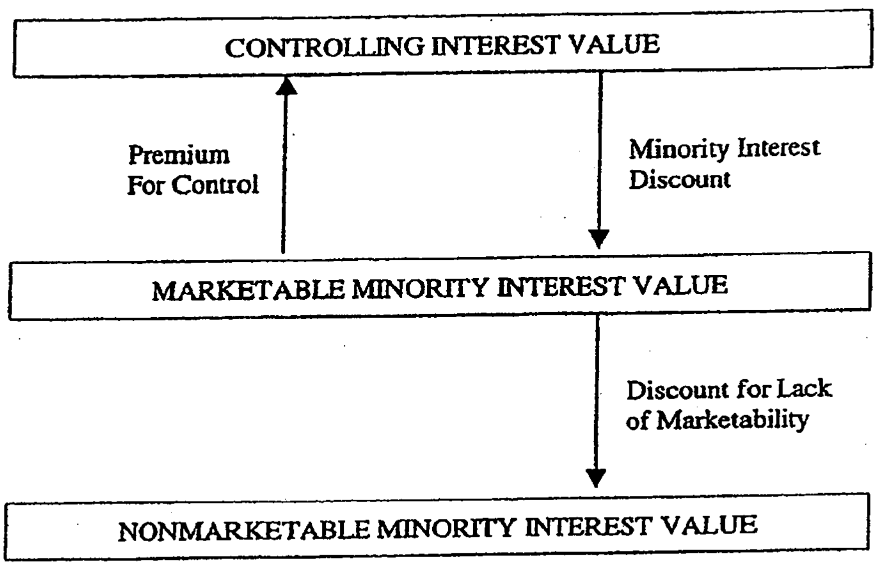
20th Century Industries (TW - NYSE) through its subsidiaries, 20th Century Insurance and 21st Century Casualty Company, both of which are incorporated in California as property and casualty insurance companies and licensed in California, Nevada, Oregon and Washington. The company directly markets and underwrites private passenger automobile, homeowners and personal excess liability insurance. Automobile policies accounted for 97% of premiums earned in 1997.

CALIFORNIA CAPITAL INSURANCE COMPANY
Selected Mergers and Acquisitions in the
U.S. Property & Casualty Insurance Industry

Ann. Date	Target	Acquiror	Purchase Price	Price Relative to GAAP: Common Equity	Revenue	Pre-tax Op. Inc.	Net Income	Proj. Net Inc.	Target Statutory Business Mix by NPW
1/20/98	USF&G	St. Paul Companies	2,800.0	1.5x	1.0x	7.1x	11.9x	12.0x	Com'l MultiPeril (29%) Priv. Pass Auto (12%)
12/22/97	American Bankers Insurance Group	AIG	1,969.0	2.9x	1.4x	13.4x	17.7x	20.4x	Life (28%) Prop. & Casualty (72%)
12/19/97	Nobel Insurance Ltd.	Renaissance Re Holdings Ltd.	54.1	1.0x	1.4x	110.6x	15.7x	NA	Auto (32%) Fidelity & Surety (36%) Property & Oth
11/14/97	CapMAC Holdings Inc.	MBIA Inc.	606.6	1.8x	6.6x	12.5x	19.4x	17.6x	Financial Guaranty (100%)
10/31/97	Guaranty National Corp. (Remaining 19%)	Orion Capital Corp.	104.4	2.0x	0.9x	13.0x	14.1x	86.9x	Personal (48%) Commercial (37%) Collateral Protec
10/17/97	Omni Insurance Group, Inc.	The Hartford Financial Services Group	187.0	3.4x	2.0x	28.3x	35.2x	30.5x	Priv. Pass. Auto (78%) Auto Phys. (22%)
8/8/97	Titan Holdings	USF&G	234.0	2.1x	1.5x	11.6x	15.9x	12.7x	Priv. Pass. Auto (47%) Auto Phys. (22%)
6/25/97	Unionamerica	MMI	186.3	1.8x	1.3x	6.9x	9.8x	10.5x	Specialty Casualty and Property Reinsurer/Insurer
6/23/97	Sphere Drake Holdings Ltd.	Fairfax Financial Holdings Ltd.	222.1	0.9x	0.9x	6.6x	11.4x	NA	Cat. Reins. (100%)
6/23/97	Integon Corp.	GMAC	550.0	3.2x	0.9x	NM	NM	NA	Priv. Pass. Auto (57%) Auto Phys. (40%)
6/9/97	American States Financial Corp.	Safeco Corp.	2,820.0	2.1x	1.4x	15.3x	15.9x	16.3x	Com'l MultiPeril (21%) Priv. Pass Auto (17%)
5/8/97	GCR Holdings Ltd.	EXEL Ltd.	636.3	1.4x	4.4x	7.8x	7.8x	8.2x	Cat. Reins. (100%)
3/1/97	Lyndon Property Ins. Co.	Frontier Insurance Group	92.0	0.8x	0.9x	2.6x	3.8x	NA	NA
1/17/97	AVEMCO Corp.	HCC Insurance Holdings	204.0	3.4x	1.6x	16.1x	16.6x	17.7x	Aviation (65%) Non-Aviation (35%)
		Mean	761.8	2.0x	1.9x	19.4x	15.0x	23.3x	
		Median	228.1	1.9x	1.4x	12.5x	15.7x	17.0x	
		Purchase Price > $1 billion							
		Mean	2,529.7	2.2x	1.3x	11.9x	15.2x	16.2x	
		Median	2,800.0	2.1x	1.4x	13.4x	15.9x	16.3x	
		Purchase Price $500 million to $1 billion							
		Mean	597.6	2.1x	4.0x	10.2x	13.6x	12.9x	
		Median	606.6	1.8x	4.4x	10.2x	13.6x	12.9x	
		Purchase Price < $500 million							
		Mean	160.5	1.9x	1.3x	24.5x	15.3x	31.7x	
		Median	186.7	1.9x	1.4x	12.3x	14.9x	17.7x	

DUFF & PHELPS, LLC

CALIFORNIA CAPITAL INSURANCE COMPANY
RELATIVE LEVELS OF FAIR MARKET VALUE



The term "fair market value" is defined as the amount at which the common stock would change hands between a willing buyer and a willing seller, each having reasonable knowledge of all relevant facts, neither being under any compulsion to act, with equity to both.

The methods we have used to value the Company's common stock results in values representative of the price at which the stock would trade if there were an active, seasoned public market for the stock (the marketable minority interest value). The comparative company method is based on the prices at which minority interest blocks of common stocks trade in the public equity markets. The stocks we examined in applying this method have had public markets for considerable periods, are traded daily in significant volumes, and are seasoned by past trading and the fact that the operations, finances and conditions surrounding the companies which issued the stocks are regularly followed by a community of securities analysts and investors.

The Company's common stock has never traded in any public market nor is there any reasonable prospect of the stock being registered in the foreseeable future for trading in a public market. Absent a price set in a public market; extensive, widely circulated information about a company; a following of security analysts and investors; or the prospect of a sale of a company or an initial public offering of its stock in the near term, it is difficult to find parties interested and willing to buy a minority holding of stock in a closely-held company. It would be extremely difficult under these circumstances to find a buyer willing to pay a price based on what the stock's value would be if it had an active, seasoned public market. In recognition of the difficulties of selling a minority holding of stock in a closely-held company where all these circumstances prevail, a discount for lack of marketability is often applied in valuing such a stock interest.

There is no definitive body of generally available information on the prices at which trades of minority holdings of stocks in closely-held companies have occurred. Even if such information were available, it would not provide a basis for calculating discounts for lack of marketability since there would be no public market prices to refer to on the closely-held stocks. In the absence of actual data on discounts for lack of marketability for closely-held stock, valuation analysts have devised several models for estimating appropriate levels of such discounts. These models fall into two general categories: (1) stock sales prior to an initial public offering ("IPO"); and (2) the restricted stock model. These models are presented in further detail on the following pages.

Stock Sales Prior to an IPO

Analyzing stock sales prior to an IPO is method to estimate discounts for lack of marketability. This is done by examining the relationship between prices paid in private transactions for stocks in companies prior to initial public offerings with the prices at which the stocks were offered to the public. The following table summarizes the results of two of these studies.

Study	Years Covered	Marketability Discounts Range	Mean	Median
Emory (Baird Company)	1980 - 1995	(6%) to 94%	44%	43%
Willamette Mgmt. Assoc.	1975 - 1993	NA	41%	52%

Emory Studies

John Emory of Robert W. Baird & Company has conducted a series of pre-IPO studies covering 206 IPOs from 1985 to 1995. The mean and median discounts for all transactions were 44% and 43%, respectively. The mean and median discounts were also fairly consistent across all periods studied.

Source: Emory, John D., "The Value of Marketability as Illustrated in Initial Public Offerings of Common Stock." *Business Valuation News*, September 1985, pp. 21-4; Business Valuation Review, December 1992, Pp. 208-212; March 1994, pp. 3-7; and December 1995, pp. 155-60.

Willamette Study

Willamette Management Associates, Inc. has performed a series of pre-IPO studies covering 827 transactions, involving 432 companies, occurring between 1975 and 1993. The mean and median discounts found in this study were 41% and 52%, respectively.

Source: Willamette Management Associates, Pre-IPO Studies, in Christopher Z. Mercer, *Quantifying Marketability Discounts*. Memphis, TN: Peabody Publishing, LP, 1997. PP 82-85.

Restricted Stock Model

The restricted stock model is based on the differences observed between the prices paid for restricted stock in private placements and the prices at which the unrestricted stock of the same companies were trading in public markets. The restricted stock involved in the private placements generally were unregistered "letter" stock which were not marketable except as provided under the Securities and Exchange Commission's Rule 144. Under this rule, the stocks were restricted from transfer to other owners (except in a subsequent private placement) for a period of at least two years. The restricted stock were identical in every way except marketability, to common stock traded on recognized public exchanges or in the over-the-counter market.

The differences in prices on the same dates observed between restricted and unrestricted common stock of the same companies can be attributed to the restricted stock's lack of immediate marketability, analogous in certain respects to the lack of marketability of stock of closely-held companies. The discounts observed in the prices of restricted stock reflect the fact that a holder of such securities may sustain losses or forgo profits because of the inability to sell them at a time of his own choosing. He is forced to hold the stock while the prices of the unrestricted stock fluctuate as a result of changes in the issuing companies' businesses or operations, in their financial conditions as the use of debt financing goes up or down, in the demand for the individual companies' stock or in general stock market conditions.

Numerous studies of the discounts attached to restricted stocks have been published and we have periodically conducted our own studies of such discounts. It should be noted that in most of the transactions analyzed in these studies, the buyer generally expected to be able to resell the stock in the public market in the foreseeable future. The following table summarizes the results of some of these studies.

		Marketability Discounts		
Study	Years Covered	Range	Mean	Median
SEC Institutional Investor	1966 - 1969	(15%) to 80%	26%	24%
Gelman	1968 - 1970	<15% to >40%	33%	33%
Moroney	1968 - 1972	(30%)to 90%	36%	33%
Maher	1969 - 1973	3% to 76%	35%	33%
Trout	1968 - 1972	NA	34%	NA
Standard Research Consultants	1978 - 1982	7% to 91%	NA	45%
Willamette Mgmt. Assoc.	1981 - 1984	NA	NA	31%
Silber	1981 - 1988	(13%) to 84%	34%	35%
Management Planning	1980 - 1995	0% to 58%	28%	29%
Duff & Phelps	1992 - 1997	(13%) to 90%	24%	18%

Securities and Exchange Commission Study

In 1971, the Securities and Exchange Commission published the Institutional Investor Study Report ("SEC Study") to serve as a basis for the Internal Revenue Service Revenue Ruling 77-287. Revenue Ruling 77-287 sets forth valuation guidelines to determine discounts for lack of marketability for securities restricted under Rule 144. The SEC Study empirically examined discounts in transactions involving securities that are restricted under Rule 144. Based on more than 300 transactions, the SEC Study found the following relationships:

By Sales (in millions):	**Average Discount Range**
$ 100 +	10.1 - 20%
$ 20 - 100	10.1 - 20%
$ 5 - 20	30.1 - 40%
$ 1 - 5	30.1 - 40%
$ 0 - 1	40.1 - 50%
By Earnings (in millions):	
$ 10 +	10.1 - 20%
$ 1 - 10	10.1 - 20%
$ 0 - 1	20.1 - 30%
By Exchange:	
NYSE	10.1 - 20%
ASE	20.1 - 30%
OTC Reporting	20.1 - 30%
OTC Non reporting	30.1 - 40%

Source: "Discounts Involved in Purchases of Common Stock," in *Institutional Investor Study Report of the Securities and Exchange Commission*. Washington, D.C.: U.S. Government Printing Office, March 10, 1971. Vol. 5:2444-2456, Document No. 92-64, Part 5.

Management Planning Study

Management Planning, Inc. ("Management Planning") has conducted an ongoing restricted stock study over a period of years that updates the SEC study. Management Planning analyzed all private placements which were reported from 1980 through 1995 which met the following criteria:

- The company selling stock in a private placement must have common stock, which is equal in all other respects except marketability to the registered stock that is publicly held and actively traded.
- Sufficient data on the private transaction must be readily available to enable analysis.
- Sufficient data on the private transaction must be readily available.
- The publicly-traded common stock counterpart must be selling at a price of at least $2.00 per share.
- The company must be a domestic corporation.
- The company must not have been characterized in public disclosure documents as being in a "developmental" stage.

Based on this criteria, 200 private transactions were identified and analyzed. Subsequent elimination of start-up companies with revenues less than $3 million, companies which had suffered a deficit in the fiscal year preceding the transaction and transactions that were known to have registration rights resulted in 49 transactions meeting the final criteria.

The average and median discounts for the group of issues analyzed were 28% and 29%, respectively, with a range of 0% to 58%.

Source: Management Planning, Inc., "The Management Planning Study," in Christopher Z. Mercer, *Quantifying Marketability Discounts*. Memphis, TN: Peabody Publishing, LP. 1997. PP 345-70.

Duff & Phelps Study

On June 30, 1997, Duff & Phelps completed a study involving private placements of Rule 144 stock by public companies which had essentially the same common stock publicly trading on an exchange or over the counter. The purpose of the study was to examine discounts associated with Rule 144 stock relative to the price of freely traded equivalent common stock.

Safe harbor provisions under Rule 144 allow for the resale of restricted securities and control securities without registration, subject to certain resale limitations. Restricted securities are securities acquired from the issuer or an affiliate of the issuer (controlling shareholders, certain directors, and officers) in a private transaction. Control securities are securities owned by affiliates of the issuer, whether acquired in the open market or in private transactions.

For affiliates of the issuer, the safe harbor provisions of Rule 144 restrict the sale of unregistered stock after a one year holding period as follows. The amount of stock sold in any three month period, together with any stock sold by such person within the preceding three months, cannot exceed the greater of: 1) one percent of the outstanding shares of the issuer; or 2) the average weekly trading volume for the four week period immediately preceding the proposed sale. The sale must be conducted in a brokerage transaction or through a market maker, and a notice on Form 144 must be filed with the SEC concurrently with the sale.

For non-affiliates of the issuer, the safe harbor provisions of Rule 144(k) allow the sale of unregistered stock after a two-year holding period without being subject to any of the other Rule 144 requirements.

Duff & Phelps used the Securities Data Corporation database to identify private placement issues of Rule 144 stock by public companies which have identical freely traded securities. The study analyzed 62 private placements between January 1992 to June 1997.

The average and median discounts for the group of issues analyzed were 24% and 18%, respectively, with a range of -13% (a premium) to 90%.

Other Studies

Gelman Study

Gelman analyzed the prices paid for restricted securities by four closed-end investment companies founded in 1968 and specializing in restricted securities. In total, Gelman used public disclosure documents of the issuing companies to analyze 89 transactions which occurred between 1968 and 1970. Gelman found that the average discount was 33% and that nearly 60% of the transactions reflected discounts of 30% or more.

Source: Gelman, Milton, "An Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company." *Journal of Taxation*, June 1972, pp. 353-4.

Moroney Study

Moroney analyzed 146 purchases of restricted equity securities (common stocks, convertible preferred stocks, convertible debt securities, warrants) by ten registered investment companies. Moroney found mean and median discounts of 36% and 33%, respectively. Additionally, in 55% of the transactions, the discounts were 30% or greater.

In comparing these discounts to those of a minority interest in a closely held corporation, Moroney offers the following reasons for even higher discounts in the later:

> "...in the late 1960 and early 1970s, many buyers of restricted securities felt confident they would be able to market them to the public in two or three years either by registration and public sale as a block, or by feeding them slowly into the market without registration. By contrast, most hypothetical buyers of most minority interests in closely held companies involved in tax cases haven't the foggiest idea as to when or how they will be able to sell... Literally, in many instances the buyer must prepare himself to hold the stock for an indeterminable period of time, maybe for as long as a generation."
>
> "Before a registered investment company buys restricted securities, the investment company's staff and investment committee have rated the investment a good risk and promising... On the other hand, a considerable number of companies whose stocks must be valued for tax purposes are palpably without promise."

Source: Moroney, Robert E., "Most Courts Overvalue Closely Held Stocks." *Taxes*, March 1973, pp. 144-55.

Maher Study

Maher analyzed 34 purchases of restricted common stock by four mutual funds between 1969 and 1973. Maher found that the mean discount for lack of marketability was 35%. After eliminating the top 10% and bottom 10% of purchases in an effort to remove especially high and low risk situations, the mean discount was unchanged at 35%. Maher further noted that the discount for lack of marketability even exceeded the cost of making the stock marketable via a public offering. This was potentially due to several factors: "...by committing funds to restricted common stock, the willing buyer (a) would be denied the opportunity to take advantage of other investments, and (b) would continue to have his investment at the risk of the business until the shares could be offered to the public or another buyer is found."

Source: Maher, J. Michael, "Discounts for Lack of Marketability for Closely-Held Business Interests." *Taxes*, September 1976, pp. 562-71.

Trout Study

Trout analyzed the prices paid for restricted securities by six investment companies between 1968 and 1972. Utilizing data from 60 transactions with an average discount of 33%, Trout constructed economic models to estimate the discount that should be accorded a transfer of restricted securities. The variables and assumptions included in the models are described below.

- Exchange listing* - major exchange listing was associated with lower discounts
- Number of shares outstanding - a large number of shares outstanding was associated with lower discounts
- Shares purchased as % of share outstanding - control effects were associated with lower discounts while blockage effects were associated with higher discounts
- Purchases of less than 1%* - small purchases were associated with lower discounts
- Value of purchase - larger purchases were associated with higher discounts

* Indicator variable

While the models accounted for approximately 24% of the variation in discounts observed in the subject transactions, much of the variation remained unexplained due to the nature of the purchase agreements, differences in relative bargaining power and the lack of an auction market for restricted securities. Thus, other relevant information, if any, should be used to adjust the results derived from applying these models.

Source: Trout, Robert R., "Estimation of the Discount Associated with the Transfer of Restricted Securities." *Taxes*, June 1977, pp. 381-5.

Standard Research Consultants Study

In an update to the SEC Study, Standard Research Consultants analyzed 28 private placements of restricted common stock from October 1978 through June 1982. The discounts ranged from 7% to 91% with median discount of 45%. This study found support for higher discounts for smaller companies as well as for inconsistently profitable companies.

Source: Pittock, William F. and Stryker, Charles H., "Revenue Ruling 77-287 Revisited." *SRC Quarterly Reports*, Spring 1983, pp. 1-3.

Willamette Study

Willamette Management Associates, Inc. performed an analysis of 33 restricted stock transactions occurring between January 1981 and May 1984. The median discount found in this study was 31%.

Source: Willamette Management Associates, Private Placements of Restricted Stocks, January 1981 through May 1984, in Shannon P. Pratt, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, Third Edition. Chicago, IL: Irwin Professional Publishing, 1996.

Silber Study

Silber reviewed 310 private placements of common stock of publicly traded companies between 1981 and 1988. After eliminating issues that had warrants or other special provisions, 69 private placements were analyzed. The average discount for the 69 transactions was 33.75% and the range was a premium of 12.7% to a discount of 84%. Dividing the sample at the median discount of 35%, Silber found that firms with lower revenues, earnings and market capitalizations were associated with higher discounts. The results of the study are presented below:

Discount Number of companies	> 35% 34	< 35% 35	All 69
Percentage discount	53.9%	14.1%	33.75%
Revenues	$13.9	$65.4	$40.0
Earnings	($1.4)	$3.2	$0.9
Market Capitalization	$33.8	$74.6	$54.0
Dollar size of issue	$2.7	$5.8	$4.3
Restricted share / total shares	16.3%	10.9%	13.6%

Source: Silber, William L. "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices." *Financial Analysts Journal*, July-August 1991, pp. 60-4.

Summary of Factors Affecting the Discount for Lack of Marketability

Factor	Effect on Discount for Lack of Marketability	
	Higher	Lower
Public markets	No foreseeable public offering	Imminent public offering
Other markets	No other markets	Limited market (e.g. ESOP)
Sale of the company	No foreseeable sale of company	Imminent sale of company
Dividend Policy	No foreseeable dividends	Imminent large dividends
Transfer restrictions	Significant transfer restrictions	No transfer restrictions
Pricing information	No trading activity	Recent trading activity
Options	Not applicable	Put option
Financial status	Small, weak and volatile	Large, strong and stable
Industry status	Unattractive for investment purposes	Attractive for investment purposes
Management	Weak management	Strong management
Other	Size of block (depends on size and circumstances) Buy-sell agreement (depends on provisions)	

EXHIBIT 12

SEP-21-98 MON 14:15

ACTIONS BY THE UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS OF CALIFORNIA CAPITAL INSURANCE COMPANY, A CALIFORNIA CORPORATION

The undersigned, being of all of the directors of CALIFORNIA CAPITAL INSURANCE COMPANY, a California corporation (the "Company"), by their signatures below or on a counterpart hereof, hereby adopt the following resolutions by unanimous written consent on behalf of the Company, pursuant to Section 307(b) of the California Corporations Code.

LOAN TO CALIFORNIA CAPITAL INSURANCE COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

RESOLVED, that the President and Secretary are authorized and directed to apply for and to take all reasonable steps to secure a certificate of exemption and any other required authorization or exemption from the California Department of Insurance authorizing the Company to make a loan of between $20,000,000 and $25,000,000 to the California Capital Insurance Company Employee Stock Ownership Plan for the purpose of purchasing shares of stock of the Company's parent company.

RESOLVED FURTHER, that the directors have considered the proposed terms of the loan and purchase of shares described above and have determined the same to be fair, just, and equitable.

RESOLVED FURTHER, that the officers of the Company are, and each acting alone is, hereby authorized to do and perform any and all acts, including execution of any and all documents and certificates, as the officers shall deem necessary or advisable, to carry out the purposes of the foregoing resolutions; and

RESOLVED FURTHER, that any actions taken by the officers of the Company prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as the acts and deeds of the Company.

****

SEP-21-98 MON 14:16

This Unanimous Written Consent may be executed in one or more counterparts, each of which shall be an original and all of which together shall be one and the same instrument. This Unanimous Written Consent shall be filed in the Minute Book of the Company and become a part of the records of this Company.

Dated this 21st day of September, 1998

William E. Moore
William E. Moore

Desiree B. Moore
Desiree B. Moore

Peter M. Cazzolla
Peter M. Cazzolla

EXHIBIT 13

MINUTES OF THE
BOARD OF DIRECTORS MEETING

CALIFORNIA CAPITAL INSURANCE COMPANY
AND SUBSIDIARIES

October 27, 2006

REDACTED

REDACTED